

Message Text

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 CIAE-00 PM-03

INR-05 PRS-01 PA-01 MC-01 ACDA-10 IGA-01 H-01 L-01

EB-03 RSC-01 /056 W

----- 069364

R 281710Z JAN 75

FM AMEMBASSY ATHENS

TO SECSTATE WASHDC 7189

SECDEF

INFO USCINCEUR

S E C R E T ATHENS 760

LIMDIS

EO 11652: GDS

TAGS: MASS GR

SUBJECT: FUNDING MILITARY MATERIAL ACQUISITIONS BY GREECE

REFS: A. ATHENS 759

B. ATHENS 632

1. IN REF A WE URGE THAT GREECE BE ACCOMMODATED TO THE GREATEST EXTENT POSSIBLE IN THE DEPARTMENTS RESPONSES TO THREE LISTS OF EQUIPMENT NEEDS PROVIDED TO ME BY DEFMIN AVEROFF ON DEC 21. IN THIS MESSAGE I WISH TO ADDRESS THE PROBLEM OF FUNDING OF MILITARY EQUIPMENT ACQUISITIONS BY GREECE. ALTHOUGH I RECOMMEND CERTAIN ASSISTANCE BY THE USG, POSITIVE AND EXPEDITIOUS CONSIDERATION OF THE THREE LISTS UNDER CURRENT PROCEDURES WHOULD NOT AWAIT RESOLUTION OF THE QUESTION OF WHETHER AND HOW SUCH ADDITIONAL ASSISTANCE MIGHT BE PROVIDED.

2. THE HELLENIC NAVY AND THE HELLENIC AIR FORCE BOTH REFERRED TO THE PROVISION OF AT LEAST SOME OF THE REQUIRED MATERIAL ON A GRANT BASIS. THE HELLENIC AIR FORCE DID NOT PRESS THE ISSUE IN DISCUSSIONS WITH

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JUSMAGG WHEN THE UNLIKELY PROSPECTS FOR SUCH ACTION

WERE POINTED OUT AND IT WAS DELETED, BUT THE HELLENIC NAVY HAS PERSISTED IN SEEKING TO HAVE ITS REQUIREMENTS MET "GRATIS." MOREOVER, THE POSSIBILITY OF REINSTITUTING GRANT MILITARY ASSISTANCE WAS RAISED RECENTLY IN THE PARLIAMENT (REF B) AND DEFMIN AVEROFF INDICATED THAT THIS WOULD BE DISCUSSED AT A LATER TIME.

3. THE DEPARTMENTS WILL RECALL THAT THE PAPADOPOULOS GOVERNMENT RENOUNCED FURTHER GRANT MILITARY ASSISTANCE, EFFECTIVE JAN 1, 1973, IMMEDIATELY AFTER FINALLY HAVING TO SIGN A TER PERCENT LOCAL CURRENCY DEPOSIT AGREEMENT AND IN ANTICIPATION OF CONGRESSIONAL ACTION TO TERMINATE GRANT ASSISTANCE FOR GREECE AS A PUNITIVE MEASURE. SOME GREEK MILITARY LEADERS HAVE SPOKEN IN RECENT MONTHS OF THE THEN GOG'S UNILATERAL RENUNCIATION AS A REGRETTABLE STEP. THE RENEWAL OF GRANT MILITARY ASSISTANCE WAS RAISED PREVIOUSLY BY LTGEN PAPANICOLAOU IN DEC 1973 IN CONNECTION WITH THE NEGOTIATIONS ON USE OF SOUDHA AB AS PART OF THE ARRANGEMENT FOR HOMEPORTING AN AIRCRAFT CARRIER, BUT UPON RECEIVING NO ENCOURAGEMENT HE DROPPED HIS DEMAND.

4. THE RENEWAL OF SUGGESTIONS BY THE HELLENIC NAVY AND AIR FORCE THAT GRANT AID BE RESUMED, EVEN THOUGH THESE SUGGESTIONS FALL SHORT OF BEING FORMAL REQUESTS, IMPLIES THAT THE SUBJECT IS ONCE AGAIN UNDER CONSIDERATION BY SENIOR OFFICERS OF THE HELLENIC ARMED FORCES AND MAY LATER BE EMBODIED IN A FORMAL REQUEST BY THE GREEK GOVERNMENT. THIS COULD OCCUR IN CONNECTION WITH THE RENEGOTIATION OF OUR SECURITY RELATIONSHIP WITH GREECE BEGINNING ON FEB 10. THERE HAS, HOWEVER, BEEN NO HINT OF ANY INTENTION BY THE GREEK SIDE TO MAKE SUCH A LINKAGE IN OUR PRELIMINARY DISCUSSIONS AT THE FOREIGN MINISTRY. ON THE CONTRARY, THESE DISCUSSIONS HAVE PERMITTED THE INFERENCE THAT THE GREEK GOVT RECOGNIZES THE VALUE OF OUR EXISTING AGREEMENTS AND IS MORE INTERESTED IN RENEGOTIATING MODALITIES THAN IN SEEKING A QUID PRO QUO. IT IS NEVERTHELESS POSSIBLE THAT AS RENEGOTIATION GETS UNDER WAY THE QUESTION OF GRANT ASSISTANCE WILL SURFACE AND WE SHOULD BE PREPARED

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FOR THIS CONTINGENCY.

5. EVEN IF THIS DOES NOT OCCUR, THERE ARE COMPELLING ARGUMENTS IN FAVOR OF CONSIDERING THE FEASIBILITY OF PROVIDING A ONE SHOT INFUSION OF GRANT ASSISTANCE TO GREECE THIS FISCAL YEAR. THE PRESSURES ON GREECE'S 1975 BALANCE OF PAYMENTS OCCASIONED BY INCREASED OIL PRICES AND MILITARY PURCHASES ARE

MANIFEST. THEY WERE REFERRED TO IN FAIRLY BLEAK TERMS BY COORDINATION MINISTER PAPALIGOURAS WHEN HE MET WITH TREASURY UNDER SECRETARY GARDNER ON JAN 11 (ATHENS 250). PAPALIGOURAS ESTIMATED A GAP OF \$450 MILLION OF WHICH \$200 MILLION MIGHT BE COVERED BY THE IMF OIL FACILITY AND ANOTHER \$50 MILLION FROM THE EUROPEAN INVESTMENT BANK. THE REMAINING UNCOVERED DEFICIT HE ESTIMATED AT ABOUT \$200-250 MILLION. DESPITE SUCH DIFFICULTIES, PM CARAMANLIS, DEFENSE MINISTER AVEROFF, AND OTHER SENIOR MEMBERS OF THE GREEK GOVERNMENT ARE CONVINCED THAT PRESENT TENSION IN THE AEGEAN LEAVES NO ALTERNATIVE BUT TO ACQUIRE BY WHATEVER MEANS ARE POSSIBLE THE MILITARY WHEREWITHAL GREECE NEEDS TO DEFEND ITSELF.

6. THE REASONS THAT WE HAVE ADDUCED FOR PROMPT AND FAVORABLE RESPONSES TO GREEK REQUESTS FOR MILITARY HARDWARE APPLY WITH EQUAL FORCE TO THE BURDEN THAT THESE ACQUISITIONS WILL PLACE ON THE GREEK ECONOMY. OUR OBJECTIVE IS TO RESTORE CLOSE, MUTUALLY BENEFICIAL RELATIONS BETWEEN GREECE AND THE U.S. AND THEREBY TO FACILITATE THE REINTEGRATION OF THE HELLENIC ARMED FORCES INTO NATO AND THE IMPROVEMENT OF GREEK-TURKISH RELATIONS. THE LATTER TWO OBJECTIVES DEPEND ON ACHIEVEMENT OF THE FIRST OBJECTIVE. I BELIEVE, THEREFORE, THAT OUR OVERALL INTERESTS BOTH IN GREECE AND IN THE AEGEAN WOULD BE WELL SERVED BY CONTRIBUTION OF SECURITY SUPPORTING ASSISTANCE TO GREECE THIS FISCAL YEAR. SUCH A STEP WOULD NOT ONLY HELP GREECE MEET ITS INCREASINGLY SERIOUS BALANCE OF PAYMENTS PROBLEM BUT WOULD ALSO HAVE ENORMOUS SYMBOLIC IMPORTANCE AT THIS DELICATE STAGE IN OUR RELATIONS. TO MAKE THE KIND OF POSITIVE IMPACT WE NEED AT THIS TIME I RECOMMEND THAT \$50 MILLION
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BE SOUGHT IN FY-75 IN THE FORM OF A SUPPLEMENTARY APPROPRIATION.

7. IN DISCUSSING THE GREEK SITUATION WITH NUMEROUS CONGRESSIONAL VISITORS TO ATHENS OVER THE LAST TWO MONTHS, I HAVE GAINED THE IMPRESSION THAT THERE IS AN EXCEPTIONALLY RECEPTIVE CLIMATE IN CONGRESS FOR AID TO GREECE. BY MOVING RAPIDLY, WE MAY THEREFORE BE ABLE TO GAIN WIDESPREAD SUPPORT FOR AN ACTION WHICH WOULD HAVE DRAMATIC EFFECT HERE AND HAVE A MULTIPLIER EFFECT ON OUR ABILITY TO ACHIEVE A SATISFACTORY RESOLUTION OF OUR BILATERAL AND MULTILATERAL PROBLEMS WITH GREECE.
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Message Attributes

Automatic Decaptoning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY ASSISTANCE, MILITARY EQUIPMENT, MILITARY CAPABILITIES
Control Number: n/a
Copy: SINGLE
Draft Date: 28 JAN 1975
Decapton Date: 28 MAY 2004
Decapton Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ATHENS00760
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750031-1108
From: ATHENS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750116/aaaaanpu.tel
Line Count: 167
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: SECRET
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: LIMDIS
Reference: 75 ATHENS 759
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 28 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 APR 2003 by ElyME>; APPROVED <29 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FUNDING MILITARY MATERIAL ACQUISITIONS BY GREECE
TAGS: MASS, GR
To: STATE DOD
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006